

Message Text

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70

ACTION COME-00

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-02 LAB-06 SIL-01 OMB-01 L-03 IGA-02 DODE-00

PA-04 USIA-15 PRS-01 DRC-01 /119 W

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R 081510Z MAY 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 3188

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 3278

E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: MAJOR PROJECTS: RAILCARS FOR BRAZIL

REF: STATE 85735 AND PREVIOUS

1. VISIT OF ELWYN AHNQUIST, PRESIDENT OF PULLMAN-STANDARD, TO BRAZIL MAY 2-3, APPEARS TO HAVE ACCOMPLISHED OBJECTIVE OF MAKING PULLMAN PROPOSAL ON RAILCARS BETTER KNOWN TO HIGHEST GOB LEVELS CONCERNED WITH RAILWAY MATTERS. PRESENCE PULLMAN PRESIDENT ALSO MADE CLEAR INTEREST OF COMPANY TO ENTER BRAZILIAN MARKET ON LONG TERM BASIS. AHNQUIST WAS ACCOMPANIED BY SEVERAL SENIOR PULLMAN EXECUTIVES. PULLMAN TEAM MET WITH ALVARO GOMES BARBOSA, DIRECTOR-GENERAL, BNEF, GEN. MILTON GONCALVES, PRESIDENT, RFFSA, AND DIRCEU DE ARAUJO NOGUEIRA, MINISTER OF TRANSPORTATION. AMBASSADOR ACCOMPANIED TEAM DURING CALL ON MINISTER NOGUEIRA.

2. MEETING WITH DR. BARBOSA AND GEN. GONCALVES MAY 2 WENT MORE OR LESS AS PLANNED. PULLMAN PRESIDENT WAS ABLE TO EMPHASIZE DESIRE OF HIS FIRM TO PARTICIPATE IN BRAZILIAN MARKET AND TO ASSIST BRAZILIAN RAILWAY AUTHORITIES IN THEIR EFFORTS
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TO IMPROVE BRAZILIAN RAILROADS. DR BARBOSA MENTIONED BNEF

PLANS FOR ELECTRIFICATION OF SEVERAL RAILROADS AND LONG RANGE PLANS TO UNIFY GAUGE OF BRAZILIAN TRACK. WITH RESPECT TO FORMER, BARBOSA MENTIONED UPCOMING WORLD BANK FUNDED STUDY FOR ELECTRIFICATION SEVERAL RAILROAD LINES. A BRAZILIAN FIRM WILL BE SELECTED TO PERFORM THIS STUDY. BARBOSA ALSO MENTIONED RECENT RFFSA INTERNATIONAL TENDER FOR RAILCARS IN WHICH PULLMAN PARTICIPATING. SAID PULLMAN APPEARED TO BE VERY MUCH IN RUNNING TO WIN ORDER FOR HOPPERS AND WISHED FIRM EVERY SUCCESS. BARBOSA ADDED THAT PULLMAN OFFER FOR 5,000 RAILCARS APPEARED VERY ATTRACTIVE AND MERITED GREATEST CONSIDERATION BY BRAZILIAN AUTHORITIES.

3. DURING HIS MEETING WITH PULLMAN, GEN. GONCALVES MENTIONED THAT PULLMAN PROPOSAL UNDER ACTIVE STUDY. HE HAD ASSIGNED GILSON CRUZ, CHIEF OF MECHANICAL DEPARTMENT, TO DRAW UP RECOMMENDATIONS ON PROPOSAL. GEN. GONCALVES EMPHASIZED RFFSA DIFFICULTY OBTAINING FUNDING FOR NEEDED RAILCARS. ACCORDING TO GONCALVES RFFSA NEEDED A LARGE AMOUNT OF NEW ROLLING STOCK BUT WAS HAVING TROUBLE OBTAINING BUDGETARY ALLOCATIONS TO MAKE PURCHASES. PULLMAN TEAM WAS ABLE TO POINT OUT THAT LONG TERM EXIM FINANCING MAY BE AVAILABLE TO RFFSA SHOULD AN AMERICAN FIRM BE CHOSEN AS SUPPLIER. GEN. GONCALVES ALSO INDICATED THAT HE WAS GOING TO VISIT WASHINGTON ON MAY 7 AND 8 TO SIGN EXIM LOANS FOR US LOCOMOTIVES. MR. AHNQUIST THEN INVITED GEN. GONCALVES TO VISIT PULLMAN-STANDARD IN CHICAGO. THE GENERAL ACCEPTED PROVIDED ARRANGEMENTS COULD BE WORKED OUT BEFORE HAND AS HE WAS ALREADY COMMITTED TO VISIT GE AND GM INSTALLATIONS. (THIS HAS BEEN ACCOMPLISHED AND WE UNDERSTAND GEN. GONCALVES AND DIRECTOR BRAZA WILL VISIT PULLMAN-STANDARD AT THE END OF THIS WEEK).

4. MEETING WITH MINISTER NOGUEIRA WAS CORDIAL AND INFORMATIVE, ALTHOUGH THE MINISTER OBVIOUSLY HAD NOT BEEN BRIEFED ON THE SPECIFICS OF PULLMAN'S PROPOSAL ON FREIGHT CARS. THE MINISTER WITH A COPY OF THE DETAILED PROPOSAL AND MR AHNQUIST WAS ABLE TO PRESENT TO EXPLAIN PULLMAN'S PREVIOUS EFFORTS WITH RAILROAD AUTHORITIES. MINISTER NOGUEIRA STATED THAT HE WAS AWARE THAT PULLMAN WAS THE WORLD'S LARGEST MANUFACTURER OF RAILCARS AND JOKINGLY ADDED THAT RELATIVELY SMALL SIZE FREIGHT CAR ORDER FROM BRAZIL PROBABLY WOULD NOT BE

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CONSIDERED SERIOUSLY BY THE COMPANY. PULLMAN PRESIDENT WAS ABLE TO COUNTER BY STATING ANY ORDER FROM BRAZIL WOULD BE CONSIDERED SPECIAL. MINISTER NOGUEIRA ALSO REITERATED THE FUNDING PROBLEM FACED BY BRAZIL IN ORDER TO PURCHASE RAILROAD EQUIPMENT. PULLMAN TEAM MENTIONED EXIM TERMS WHICH MINISTER RECOGNIZED AS SAME AS THOSE OFFERED FOR PURCHASE GE AND GM LOCOMOTIVES. THE MINISTER ASKED A NUMBER OF QUESTIONS REGARDING PRICE AND RELATIVE SIZE OF RAILCARS IN THE US AND BRAZIL. POINT APPEARED

TO BE SMALLER BRAZILIAN CAR JUSTIFIED SMALLER PRICE. PULLMAN
TEAM EXPLAINED NEED FOR SPECIAL ASSEMBLY LINE AND WILL-
INGNESS ESTABLISH SEPARATE FACILITY IN HAMMOND, INDIANA.
THEY ALSO WERE ABLE TO EMPHASIZE DESIRE TO PURCHASE AS MUCH
LOCAL CONTENT AS COULD BE MADE AVAILABLE, ALTHOUGH THEY
UNDERSTAND BRAZILIAN FIRMS WERE PRESENTLY STRETCHED TO
CAPACITY. MINISTER ENDED MEETING BY STATING HE WOULD STUDY
PROPOSAL AND "ASSIMILATE" MATERIAL LEFT BY PULLMAN
TEAM.
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